

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Patriot Bancshares, Inc./ Patriot Bank

Point of Contact:	W. Don Ellis, President and CEO	RSSD: (For Bank Holding Companies)	3390430
UST Sequence Number:	98	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	26,038,000	FDIC Certificate Number: (For Depository Institutions)	3258
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	December 19, 2008	City:	Houston
Date Repaid ¹ :	6/8/2011	State:	Texas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

Total loans actually decreased approximately 1.60% in 2010 primarily reflecting the weak economy and the examiners mandate to refrain from funding new commercial real estate loans. Payoffs and foreclosures on non-performing real estate loans were also a factor in the decrease.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Proceeds received from real estate loan payoffs were redeployed into commercial loans to small businesses in the communities the bank serves. A minor portion was redeployed into other loans. It is difficult to identify which funds were used in funding these loans.

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Increase securities purchased (ABS, MBS, etc.).

During 2010, the bank increased its investment portfolio by approximately 40%. This was primarily the result of weak loan demand.

Make other investments.

Increase reserves for non-performing assets.

The funds provided from CPP allowed the bank to increase its reserves to total loans to 2.11% at 12/31/10. The additional reserves will allow the bank to better absorb future losses relating to non-performing assets.

Reduce borrowings.

The bank was able to reduce borrowings by approximately 12% during 2010.

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Increase charge-offs.

In 2009 the bank charged off \$4.5 million in non-performing loans. The capital support provided by the CPP funds allowed the bank to increase its charge-offs in 2010 to \$7.0 million.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The CPP investment was directly responsible for relieving the pressure on the holding company to search for new capital in the market. At the time, such an endeavor would have been costly and difficult.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Some additional lending in 2009 and 2010 in our communities we serve would have been limited without the investment from CPP. Also, subsequent to 2009, the bank needed to establish a higher level of loan loss reserves due to the weak economy.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.